

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Flushing	County Genesee
Audit Date 3/31/05	Opinion Date 6/9/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

BKR Dupuis & Ryden

Street Address

111 East Court Street, Suite 1A

City

Flint

State

MI

ZIP

48502

Accountant Signature



Date

9/29/05

Annual Financial Report

**Charter Township of Flushing
Genesee County, Michigan**

March 31, 2005

with Independent Auditors' Report

**Charter Township of Flushing, Michigan
Annual Financial Report
March 31, 2005**

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Charter Township of Flushing, Michigan
Annual Financial Report
March 31, 2005

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Introductory Section

Annual Financial Report

Charter Township of Flushing

List of Elected Officials

March 31, 2005

Andrew Trotogot, Supervisor

Julia A. Morford, Clerk

Carl G. Liepmann, Treasurer

Ann L. Fotenakes, Trustee

Scott Minaudo, Trustee

Barry Pratt, Trustee

Ida M. Reed, Trustee

Financial Section

Independent Auditors' Report

The Honorable Members
of the Township Board of the
Charter Township of Flushing
Genesee County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Flushing, Michigan (Township) as of March 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 31, 2005.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Flushing, Michigan at March 31, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and pension plan analysis of funding progress on pages 4 through 8, and 38 and 39 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the management's discussion and analysis and the pension plan analysis of funding progress, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the management's discussion and analysis and the pension plan analysis of funding progress and we express no opinion on it.

The budgetary comparison schedules included in the required supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Flushing's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BKR Dupont & Ryden

Certified Public Accountants
Flint Office

June 9, 2005

Management's Discussion and Analysis

Charter Township of Flushing Management's Discussion and Analysis

This section of the Charter Township of Flushing's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on March 31, 2005. Please read it in conjunction with the Township's financial statements, which follow this section.

First Year - Governmental Accounting Standards Board Statement No.34

The Charter Township of Flushing (Township) is implementing the new Governmental Accounting Standards Board Statement No.34 reporting requirement for the first time this year. Known as GASB 34, the new reporting requirement includes this letter, which should provide a comparative analysis between the current-year and prior-year financial information. However, as this is the first year the Township is implementing GASB 34, the prior-year financial information is not available in the GASB 34 format. The Governmental Accounting Standards Board has recognized this problem, and does not require the Township to restate prior-year financial information for the purposes of providing comparative data in the first year of implementation. The Township will present a comparative analysis of government-wide data in future years when prior-year information is available. The following information presents a comparative analysis of key elements of the total governmental funds and the total enterprise funds.

Financial Highlights

- The Township's Total Net Assets are \$11.2 million, unrestricted net assets were \$2.6 million.
- During the year, the Township's expenses were \$97,000 more than the \$2,678,000 generated in taxes and other revenues for governmental programs.
- General fund expenses exceeded revenues by \$67,000.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide statements.
 - * The governmental fund statements tell how general government services like public safety and public service were financed in the short term as well as what remains for future spending.
 - * Proprietary fund statements offer short- and long-term financial information about the water and sewer system that the government operates like a business.
 - * Fiduciary fund statements provide information about the financial relationships where the Township acts as an agent, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Table 1 summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 Major Features of Charter Township of Flushing's
Government-wide and Fund Financial Statements
Fund Statements**

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds)	The activities of the Township that are not proprietary or fiduciary, such as police, fire, and parks	Activities the Township operates similar to private businesses: the water and sewer system	Instances in which the Township is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Agency funds statement of assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the Township's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	Increases and decreases to assets and liabilities

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets – the difference between the Township's assets and liabilities – is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities – Most of the Township's basic services are included here, such as the police, fire, public works, parks, and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities – The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is the only business-type activity.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds – not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

- Governmental funds – Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements. The Township has the following governmental funds; general fund, law enforcement fund, solid waste fund, DARE fund, parks and recreation fund, drug law enforcement fund, building department fund and community development fund.
- Proprietary funds – Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The Township has only one proprietary fund, the Water and Sewer Enterprise Fund. In fact, the Township's water and sewer enterprise fund (one type of proprietary fund) are the same as its business-type activities, but the water and sewer fund financial statements provide more detail and additional information, such as cash flows.

- Fiduciary funds – The Township is the fiduciary, for assets held on the behalf of others. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate agency fund balance sheet. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Financial Analysis of the Township as a Whole

Net assets

The Township's governmental activities net assets are \$2.5 million. The unrestricted governmental activities net assets are \$257,000. Business-type activities net assets are \$8.6 million with \$6.3 million being invested in capital assets.

Governmental Activities

The Township's governmental fund revenues excluding other financing sources were \$2.6 million this year. Property taxes were \$1.4 million or 53.8% of the total revenues. Federal and local grants and State revenue sharing made up \$835,000 or 31.2% of the total revenue. The remaining 15.0% of General Fund revenues are comprised mostly of Charges for Services and Franchise Fees Revenue.

Business-Type Activities

Operating revenues of the Township's business-type activities increased \$51,000 from the prior year of \$896,599 to the current year total of \$947,634. Operating expenses increased by \$120,738. The major factors contributing to the increase was a \$76,374 increase in sewer treatment fees and water purchases. Net changes from non-operating activities decreased from revenue of \$400,675 to a revenue of \$136,609, including contributions from residents for capital improvements. This increase was due mainly to an decrease in tap-in fees.

Financial Analysis of the Township's Funds

As the Township completed the year, its General Fund reported a fund balance of \$340,224. This was a decrease of \$67,245 from the prior year.

Capital Assets

At the end of 2005, the Township had invested \$7.8 million in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the first year of implementation of GASB Statement 34. Capital assets as stated in this annual financial report do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in past years has not required some infrastructure items to be included with capital assets. Recognizing the problem of having cities gather together all of the required information, GASB has allowed smaller units of government like the Township to report infrastructure assets on a prospective basis only after adopting the new reporting standard.

Long-term Debt

At year-end the Township had a capital lease obligation of \$7,867 outstanding for equipment purchased for governmental activities. Business type activities (water and sewer services) do not have any long term debt obligations outstanding at March 31. Annual debt service requirements for the capital lease are approximately \$2,100 per year, with final payment due in 2010.

Limitations on Debt

The State limits the amount of general obligation debt the Township can issue to 10% of the assessed value of all taxable property within the Township's corporate limits. The Township does not have any debt outstanding that is subject to the State limitation as the capital lease obligation is specifically excluded.

Contacting the Township's Financial Administration

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Charter Township of Flushing Clerk's Department.

Basic Financial Statements

Government-wide Financial Statements

Charter Township of Flushing
Statement of Net Assets
March 31, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and equivalents	\$ 1,049,109	\$ 692,143	\$ 1,741,252
Investments	210	1,257,318	1,257,528
Receivables:			
Accounts	48,193	19,652	67,845
Unbilled	-	184,089	184,089
Special assessments	-	214,374	214,374
Tap-in contracts	-	59,838	59,838
Accrued interest receivable	-	28,804	28,804
Due from other governments	199,402	6,410	205,812
Internal balances	24,778	(24,778)	-
Prepaid items	2,642	-	2,642
Capital assets not being depreciated	-	-	-
Capital assets (net of accumulated depreciation)	1,529,309	6,311,621	7,840,930
Total assets	2,853,643	8,749,471	11,603,114
Liabilities			
Accounts payable	68,286	85,860	154,146
Accrued liabilities	13,393	-	13,393
Noncurrent liabilities:			
Due within one year	11,985	-	11,985
Due in more than one year	192,875	-	192,875
Total liabilities	286,539	85,860	372,399
Net Assets			
Invested in capital assets, net of related debt	1,521,442	6,311,621	7,833,063
Restricted for public safety	306,260	-	306,260
Restricted for building department	740	-	740
Restricted for sanitation	490,695	-	490,695
Unrestricted	247,967	2,351,990	2,599,957
Total net assets	\$ 2,567,104	\$ 8,663,611	\$ 11,230,715

See notes to financial statements.

Charter Township of Flushing
Statement of Activities
For the Year Ended March 31, 2005

Program revenues

Functions\Programs

Primary government:

Governmental activities:

General government

Public safety

Public service

Sanitation

Parks and recreation

Total governmental activities

Business-type activities

Sewer and water

Total business-type activities

Total primary government

Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
\$ 708,978	\$ 145,034	\$ -	\$ -
1,254,212	125,742	61,858	-
230,831	-	15,796	-
448,634	460,480	-	-
132,561	-	1,822	-
2,775,216	731,256	79,476	-
962,160	947,634	-	93,000
962,160	947,634	-	-
\$ 3,737,376	\$ 1,678,890	\$ 79,476	\$ -

General revenues:

Property taxes

Unrestricted state revenue sharing

Unrestricted investment earnings

Unrestricted revenues

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - ending of year

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (563,944)	\$ -	\$ (563,944)
(1,066,612)	-	(1,066,612)
(215,035)	-	(215,035)
11,846	-	11,846
(130,739)	-	(130,739)
(1,964,484)	-	(1,964,484)
-	78,474	78,474
-	78,474	78,474
(1,964,484)	78,474	(1,886,010)
995,681	-	995,681
752,931	-	752,931
16,967	43,609	60,576
101,915	-	101,915
1,867,494	43,609	1,911,103
(96,990)	122,083	25,093
2,664,094	8,541,528	11,205,622
\$ 2,567,104	\$ 8,663,611	\$ 11,230,715

Fund Financial Statements

Charter Township of Flushing
Governmental Funds
Balance Sheet
March 31, 2005

	General	Law Enforcement	Solid Waste
Assets			
Cash and cash equivalents	\$ 214,548	\$ 272,521	\$ 467,288
Investments	210	-	-
Accounts receivable	4,850	7,908	-
Due from other funds	59,463	507	130
Due from other governments	122,256	44,267	24,393
Prepaid items	1,424	769	-
Total assets	\$ 402,751	\$ 325,972	\$ 491,811
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 54,644	\$ 10,872	\$ 1,116
Accrued liabilities	-	11,622	-
Due to other funds	7,883	-	-
Total liabilities	62,527	22,494	1,116
Fund balances:			
Reserved for prepaid items	1,424	769	-
Unreserved, undesignated, reported in:			
General fund	338,800	-	-
Special revenue funds	-	302,709	490,695
Total fund balances	340,224	303,478	490,695
Total liabilities and fund balances	\$ 402,751	\$ 325,972	\$ 491,811

See notes to financial statements.

**Other
Governmental
Funds**

Totals

\$	94,752	\$	1,049,109
	-		210
	16,573		29,331
	-		60,100
	8,486		199,402
	449		2,642
<hr/>			
\$	120,260	\$	1,340,794
<hr/>			

\$	1,654	\$	68,286
	1,771		13,393
	8,577		16,460
<hr/>			
	12,002		98,139
<hr/>			

	449		2,642
	-		338,800
	107,809		901,213
<hr/>			
	108,258		1,242,655
<hr/>			
\$	120,260	\$	1,340,794
<hr/>			

Charter Township of Flushing
Reconciliation of the Fund Balance as Reported in the
Governmental Balance Sheet to the Statement of Net Assets
For the Year Ended March 31, 2005

Total Governmental Funds Fund balance as reported in the Governmental Funds Balance Sheet	\$ 1,242,655
Amounts reported for governmental activities in the statement of net assets (page 9) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,529,309
Long-term liabilities, including capital leases payable, are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(204,860)</u>
Net assets of governmental activities	<u><u>\$ 2,567,104</u></u>

See notes to financial statements.

Charter Township of Flushing
Governmental Funds
Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended March 31, 2005

	General	Law Enforcement	Solid Waste
Revenues:			
Taxes	\$ 124,975	\$ 867,334	\$ 460,480
Licenses and permits	-	-	-
Intergovernmental revenues:			
Federal	-	13,365	-
State	760,141	3,177	-
Local	-	50,099	-
Charges for services	116,827	-	-
Fines and forfeits	-	50,325	-
Interest	11,724	1,690	4,146
Other revenue	29,724	5,840	-
Total revenues	1,043,391	991,830	464,626
Expenditures:			
Current:			
General government	687,098	700	450
Public safety	126,145	979,531	-
Public service	315,663	-	-
Parks and recreation	-	-	-
Sanitation	-	-	448,635
Capital outlay	330	45,354	-
Total expenditures	1,129,236	1,025,585	449,085
Excess (deficiency) of revenues over expenditures	(85,845)	(33,755)	15,541
Other financing sources (uses):			
Transfers in	25,000	-	-
Transfers out	(6,400)	(25,000)	-
Total other financing sources (uses)	18,600	(25,000)	-
Net change in fund balances	(67,245)	(58,755)	15,541
Fund balances - beginning of year	407,469	362,233	475,154
Fund balances - end of year	\$ 340,224	\$ 303,478	\$ 490,695

See notes to financial statements.

Other Governmental Funds		Totals
\$	-	\$ 1,452,789
	64,376	64,376
	8,486	21,851
	-	763,318
	-	50,099
	-	116,827
	-	50,325
	1,221	18,781
	104,285	139,849
	178,368	2,678,215
	-	688,248
	70,813	1,176,489
	8,486	324,149
	94,224	94,224
	-	448,635
	-	45,684
	173,523	2,777,429
	4,845	(99,214)
	6,400	31,400
	-	(31,400)
	6,400	-
	11,245	(99,214)
	97,013	1,341,869
\$	108,258	\$ 1,242,655

**Charter Township of Flushing
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended March 31, 2005**

Net Change in fund balances as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance	\$	(99,214)
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Amounts reported for governmental activities in the statement of activities (pages 10 and 11) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period		22,069
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items		(19,845)
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Change in net assets of governmental activities	\$	<u>(96,990)</u>
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Charter Township of Flushing
Proprietary Funds
Statement of Net Assets
March 31, 2005

	<u>Enterprise Fund</u> <u>Sewer and</u> <u>Water</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 692,143
Investments	1,257,318
Receivables:	
Accounts	19,652
Unbilled	184,089
Special assessments - current portion	42,578
Tap-in contracts - current portion	10,208
Accrued interest	28,804
Due from other funds	7,974
Due from other governments	6,410
	<hr/>
Total current assets	2,249,176
	<hr/>
Capital assets - net of accumulated depreciation	6,306,492
Construction in progress	5,129
Other assets:	
Special assessments receivable - long-term portion	171,796
Tap-in contracts receivable - long-term portion	49,630
	<hr/>
Total other assets	221,426
	<hr/>
Total assets	8,782,223
	<hr/>
Liabilities	
Current liabilities:	
Accounts payable	85,860
Due to other funds	32,752
	<hr/>
Total current liabilities	118,612
	<hr/>
Net Assets	
Invested in capital assets, net of related debt	6,311,621
Unrestricted	2,351,990
	<hr/>
Total net assets	\$ 8,663,611
	<hr/>

See notes to financial statements.

**Charter Township of Flushing
Proprietary Fund
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
For the Year Ended March 31, 2005**

	<u>Enterprise Fund Sewer and Water</u>
Operating revenues:	
Charges for services:	\$ 788,256
Water usage fees	140,450
Sewer treatment fees	17,987
Late charges	941
Miscellaneous	<u> </u>
Total operating revenues	<u>947,634</u>
Operating expenses:	638,019
Water usage cost	110,171
Sewer treatment cost	8,016
Hydrant service	5,083
Computer billing charges	3,650
Professional fees	134,215
Depreciation	23,812
Pumping station maintenance	3,266
Pumping station utilities	32,652
Administration	3,276
Miscellaneous	<u> </u>
Total operating expenses	<u>962,160</u>
Operating loss	<u>(14,526)</u>
Non-operating revenues:	32,879
Interest on investments	10,730
Interest on tap-in contracts and assessments	<u> </u>
Total non-operating revenues	<u>43,609</u>
Income before contributions	29,083
Capital contributions - tap fees	<u>93,000</u>
Change in net assets	122,083
Net assets - beginning of year	<u>8,541,528</u>
Net assets - end of year	<u><u>\$ 8,663,611</u></u>

See notes to financial statements.

Charter Township of Flushing
Proprietary Fund
Statement of Cash Flows
For the Year Ended March 31, 2005

	<u>Enterprise Fund</u> <u>Sewer and</u> <u>Water</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 934,548
Payments to vendors	(850,637)
Net cash provided by operating activities	<u>83,911</u>
Cash flows from investing activities:	
Purchases of investments	(1,257,318)
Interest received on investments	6,038
Net cash used in investing activities	<u>(1,251,280)</u>
Cash flows from capital and related and financing activities:	
Collection of customer assessments	178,525
Purchase of capital assets	(18,995)
Interest received on assessments and tap-in receivables	10,729
Net cash provided by capital and related financing activities	<u>170,259</u>
Net decrease in cash and cash equivalents	(997,110)
Cash and cash equivalents - beginning of year	1,689,253
Cash and cash equivalents - end of year	<u><u>\$ 692,143</u></u>
Cash flows from operating activities:	
Operating loss	\$ (14,526)
Adjustments to reconcile operating loss to net cash provided by operations:	
Depreciation	134,215
Changes in operating assets and liabilities:	
Receivables:	
Accounts	(669)
Unbilled	(7,139)
Due from other funds	(7,883)
Due from other governments	2,605
Accounts payable	(55,078)
Due to other funds	32,386
Net cash provided by operating activities	<u><u>\$ 83,911</u></u>

See notes to financial statements.

**Charter Township of Flushing
Balance Sheet
Fiduciary Fund - Tax Collection Agency Fund
March 31, 2005**

	Tax Collection Agency Fund
Assets:	
Cash and cash equivalents	\$ 22,977
Accounts receivable	175
Total assets	<u>\$ 23,152</u>
Liabilities:	
Due to other funds	\$ 18,862
Due to other governments	4,290
Total liabilities	<u>\$ 23,152</u>

See notes to financial statements.

Notes to Basic Financial Statements

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies

The accounting policies of the Charter Township of Flushing (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Flushing.

A. Reporting entity

The Charter Township of Flushing was formed in 1838. The Township provides the following services as authorized by law: public safety (police, fire and inspections), highways and streets, sanitation, public improvements, recreation, planning and general administrative services.

The accompanying financial statements present the Charter Township of Flushing, Michigan (the primary government) and its component units. The Township currently does not have any component units.

B. Government-wide and fund financial statements

During the year ended March 31, 2005, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on user fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and permits, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Law Enforcement Fund accounts for police services provided to township residents.

The Solid Waste Fund accounts for sanitation services provided to township residents.

The government reports the following major proprietary fund:

The Water Supply and Sewer Disposal System. Separate funds are maintained for the operations of the water distribution system and sewage pumping and collection systems that transport the sewage to Genesee County's treatment plant.

Additionally, the government reports the following fund types:

Agency Funds account for assets held by the Township as an agent for individuals, private organizations, and other governments.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits

The Township's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the Township are stated at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements. Investments typically consist of governmental securities.

3. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" or "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade, notes, contracts, and property tax receivables are shown net of an allowance for uncollectibles.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired during the fiscal year ended March 31, 2005. Prior to the implementation of GASB No. 34, records on these assets were not maintained.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Park assets	12-50
Vehicles	5
Vehicle equipment	5
Office equipment	5-10
Computer equipment	5
Maintenance equipment	6-12
Water system	60
Sewer system	100
Infrastructure	20

6. Accumulated unpaid sick pay

All full-time Township employees are paid for sick days on an as needed basis up to a reasonable limit, as determined by management. Sick pay is recorded as an expenditure in the year used. Police officers may accumulate and carryover to the next fiscal year a maximum of 75 days of sick pay. Accumulated and unpaid sick pay liability has been accrued.

Police officers may accumulate and carryover to the next fiscal year no more than one-half of their annual vacation time up to two years. General Township employees are allowed to carryover up to half of their annual vacation time up to two years. Accumulated and unpaid vacation days for police officers and general Township employees have been accrued.

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

I. Summary of significant accounting policies – (continued)

D. Assets, liabilities, and net assets or equity – (continued)

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

- Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
- The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Property taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the following December 1, and are payable without penalty through February 28. Revenues generated by the levy of a 1% property tax administrative fee are recognized on a cash basis.

The Township is permitted by law to levy up to \$5 per \$1,000 (5 mills) of taxable value for general governmental services. The tax rate for the year ended March 31, 2005, was \$0.50 per \$1,000 (0.5 mills) for general governmental services and \$3.4684 per \$1,000 (3.4684 mills) for police.

A comparison of assessed and taxable property values for the 2004 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>
Real property	\$ 311,472,200	\$ 244,094,094
Personal property	6,008,680	6,008,680
	<hr/>	<hr/>
Total	<u>\$ 317,480,880</u>	<u>\$ 250,102,774</u>

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

II. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between *fund balance -total governmental funds* and *net assets -governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Capital leases payable	\$ (7,867)
Compensated absences	<u>(196,993)</u>
Net adjustment to reduce <i>fund balance -total governmental funds</i> to arrive at <i>net assets -governmental activities</i>	<u><u>\$(204,860)</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$115,212
Depreciation expense	<u>(93,143)</u>
Net adjustment to decrease <i>net changes in fund balances -</i> <i>total governmental funds</i> to arrive at <i>changes in net assets</i> <i>of governmental activities</i>	<u><u>\$ 22,069</u></u>

III. Stewardship, compliance, and accountability

A. Budgetary information

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenues and expenses are provided for the Water and Sewer Enterprise Fund.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

III. Stewardship, compliance, and accountability – (continued)

A. Budgetary information – (continued)

3. Prior to April 1, the budget is legally enacted on a departmental (activity) basis for all budgetary funds through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts, however, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. All budgets are adopted on a basis consistent with generally accepted accounting principles except as indicated in item 8 below.
6. Budget appropriations lapse at year end, except for approved contracts and certain federal grants which are appropriated on a contract (grant) length basis.
7. Budgeted amounts are reported on the financial statements as originally adopted or as amended by the Township Board.
8. The Community Development Special Revenue Fund is budgeted on a project length basis. As a result of this different budget perspective, the Community Development Fund is not included in the special revenue budget to actual statements.
9. The original budget was amended during the year in compliance with the Township Charter and applicable state laws. The budget amounts reported in the financial statements represent the final budgeted expenditures as amended by the Township.

B. Excess expenditures over budget

The General Fund incurred expenditures in excess of appropriations as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over Budget</u>
General Fund:			
General Government –			
Elections	\$ 3,600	\$ 15,534	\$ 11,934
Public service	284,000	315,663	31,663

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds

A. Deposits and investments

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$1,049,109	\$ 692,143	\$ 22,977	\$1,764,229
Investments	210	1,257,318	-	1,257,528
Total	<u>\$1,049,319</u>	<u>\$1,949,461</u>	<u>\$ 22,977</u>	<u>\$3,021,757</u>

The Township's deposits consist of checking accounts, money market funds, and certificates of deposit. At year end, the carrying amount of the Township's deposits was \$1,364,943 excluding petty cash of \$1,350 and the bank balance was \$1,536,015. Of the bank balance, \$184,013, approximately 12%, was covered by federal depository insurance. The rest of the bank balance, or \$1,352,002, was not insured or collateralized.

At year end, the Township's categorized investment balances were as follows:

	<u>Category</u>			<u>Reported Amount/ Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Repurchase agreements	\$ -	\$ -	\$1,655,254	\$1,655,254
U.S. Gov't. securities	210	-	-	210
Total categorized	<u>\$ 210</u>	<u>\$ -0-</u>	<u>\$1,655,254</u>	<u>\$1,655,464</u>

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

State statutes authorize the Township to invest in direct obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations collateralized by the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments.

The Township Board has adopted the above as its investment policy and additionally approved the following as authorized depositories: Bank One, Citizens Bank, Republic Bank, Montrose State Bank, Standard Federal Savings, and Raymond James and Company.

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

B. Receivables

Receivables as of year end for the Township's individual major funds, nonmajor funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Law Enforcement</u>	<u>Solid Waste</u>	<u>Nonmajor Government Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Receivables:						
Accounts	\$ 4,850	\$ 7,908	\$ -	\$ 16,573	\$ 175	\$ 29,506
Intergovernmental	122,256	44,267	24,393	8,486	-	199,402
Gross receivables	127,106	52,175	24,393	25,059	175	228,908
Less: allowance for uncollectibles	-	-	-	-	-	-
Net total receivables	<u>\$127,106</u>	<u>\$ 52,175</u>	<u>\$ 24,393</u>	<u>\$ 25,059</u>	<u>\$ 175</u>	<u>\$228,908</u>

Business type activities:

	<u>Water and Sewer</u>
Receivables:	
Accounts	\$203,741
Interest	28,804
Special assessments	214,374
Tap in contracts	<u>59,839</u>
Gross receivables	506,758
Less: allowance for uncollectibles	<u>-</u>
Net total receivables	<u>\$506,758</u>

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

C. Capital assets

Capital asset activity for the year ended March 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 193,200	\$ -	\$ -	\$ 193,200
Capital assets, being depreciated:				
Land improvements	371,857	-	-	371,857
Buildings and building improvements	1,134,920	-	-	1,134,920
Computer equipment	107,525	-	-	107,525
Maintenance equipment	48,441	-	-	48,441
Office Equipment	30,792	8,399	-	39,191
Vehicles	208,042	19,796	-	227,838
Vehicle equipment	1,279	-	-	1,279
Infrastructure	-	87,017	-	87,017
Total capital assets being depreciated	1,902,856	115,212	-	2,018,068
Less accumulated depreciation for:				
Land improvements	(80,308)	(20,175)	-	(100,483)
Buildings and building improvements	(274,229)	(24,640)	-	(298,869)
Computer equipment	(88,067)	(5,495)	-	(93,562)
Maintenance equipment	(12,066)	(4,450)	-	(16,516)
Office Equipment	(25,927)	(2,756)	-	(28,683)
Vehicles	(107,324)	(33,196)	-	(140,520)
Vehicle equipment	(895)	(256)	-	(1,151)
Infrastructure	-	(2,175)	-	(2,175)
Total accumulated depreciation	(588,816)	(93,143)	-	(681,959)
Governmental activities capital assets, net	\$1,507,240	\$ 22,069	\$ -0-	\$1,529,309
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 5,129	\$ -	\$ 5,129
Total capital assets, not being depreciated	-	5,129	-	5,129
Capital assets, being depreciated:				
Water system	6,714,773	13,866	-	6,728,639
Waterline	601,459	-	-	601,459
Sewer system	1,178,188	-	-	1,178,188
Machinery and equipment	29,150	-	-	29,150
Total capital assets, being depreciated	8,523,570	13,866	-	8,537,436

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

C. Capital assets – (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities: - (continued)				
Less accumulated depreciation for:				
Water system	(1,704,438)	(112,144)	-	(1,816,582)
Waterline	(240,584)	(10,024)	-	(250,608)
Sewer system	(151,183)	(11,782)	-	(162,965)
Machinery and equipment	(524)	(265)	-	(789)
Total accumulated depreciation	(2,096,729)	(134,215)	-	(2,230,944)
Total capital assets, being depreciated, net	6,426,841	(120,349)	-	6,306,492
Business-type capital assets, net	<u>\$ 6,426,841</u>	<u>\$(115,220)</u>	<u>\$ -0-</u>	<u>\$ 6,311,621</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

General government	\$ 20,979
Public safety	40,452
Public service	2,175
Recreation and cultural	<u>29,537</u>

Total depreciation expense - governmental activities \$ 93,143

Governmental activities:

Current:

Sewer and water	<u>\$ 134,215</u>
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Total depreciation expense – business-type activities \$ 134,215

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of March 31, 2005 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Community development fund	\$ 8,486
	Sewer and water fund	32,752
	Tax fund	18,225
Law enforcement fund	Tax fund	507
Solid waste fund	Tax fund	130
Sewer and water fund	General fund	7,883
	Parks and recreation fund	<u>91</u>
Total		<u>\$ 68,074</u>

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

IV. Detailed notes on all funds – (continued)

D. Interfund receivables, payables, and transfers– (continued)

Interfund transfers:

	General Fund	Transfer In Nonmajor Governmental	Total
Transfer out:			
General fund	\$ -	\$ 6,400	\$ 6,400
Law enforcement fund	25,000	-	25,000
Total	<u>\$ 25,000</u>	<u>\$ 6,400</u>	<u>\$ 31,400</u>

Transfers between funds were primarily for operating purposes.

E. Capital lease

The Township entered into capital lease for the purchase of two copiers. The capital leases are secured by the equipment purchased of \$5,435 for the police department and \$8,399 for the township general office. The leased assets have been recorded in the Governmental Capital Assets. Future minimum lease payments are as follows:

Year Ended	
2006	\$ 2,757
2007	2,172
2008	2,172
2009	2,172
2010	<u>543</u>
Future minimum lease payments	9,816
Less amount representing interest	<u>1,949</u>
Capital leases payable at March 31, 2005	<u>\$ 7,867</u>

F. Long-term debt

Long-term liability activity for the year ended March 31, 2005 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 3,654	\$ 8,399	\$ 4,186	\$ 7,867	\$ 1,985
Compensated absences	181,360	15,633	-	196,993	196,993
Total governmental activities long-term debt	<u>\$185,014</u>	<u>\$ 24,032</u>	<u>\$ 4,186</u>	<u>\$204,860</u>	<u>\$198,978</u>

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

V. Other information

A. Deferred compensation

The Township offers its employees a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Township employees, permits them to defer a portion of their current salary until future years. Participation in the plan is optional. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseen emergency. The Township's plan administrator, Nationwide Retirement Solutions and Aetna, has placed the assets of the plan within a restricted trust for the exclusive benefit of employees. As a result, the plan assets are not considered assets of the Township and are not recorded in these financial statements.

B. Retirement Plans

Benefit provisions and contributions obligations have been established by the Township Board.

Defined benefit plan:

The Township participates in the Michigan Municipal Employees Retirement System (MERS) which is an agent multiple-employer public employee retirement system (PERS) that is administered by the State of Michigan. The MERS was organized pursuant to Act No. 427, Public Acts of 1984, as amended, and the Constitution of the State of Michigan. The Township has no fiduciary responsibility for the plan. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system as a whole.

(a) Plan description:

The pension plan provides pension benefits, deferred allowances, and death and disability benefits for Township employees. Benefits are vested after eight years of service for non-union and after ten years for police officers and command. Retirement is based on the following requirements:

- Age 60 with 10 or more years of credited service,
- Age 50 with 25 or more years of credited service for police officers and command, and
- Age 55 with 15 or more years of credited service for non-union can retire.

Employees who retire after reaching their requirement are entitled to 2.5% of the member's three year final average compensation (FAC) times the number of years and months of credited service for that member. The annual benefit shall not exceed 80% of the FAC.

Pension provisions include deferred allowances whereby an employee may terminate employment with the Township after accumulating 10 years of service for police officers and command and 8 years of service for non-union but before reaching the age of 60. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to all pension benefits upon reaching retirement age as discussed above.

Pension provisions include death and disability benefits. A disabled employee is entitled to full benefits after acquiring 10 or more years of credited service, whereas a surviving spouse is entitled to receive an amount equal to 85% of the employees final, three-year average salary. Benefits are determined by State statutes.

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

V. Other information – (continued)

B. Retirement Plans – (continued)

Defined benefit plan: – (continued)

(a) Plan description: – (continued)

Membership in the plan at December 31, 2004, the date of the latest actuarial valuation, is comprised of 15 non-union and 10 police officer and command active members. There were 0 non-union and 2 police officer and command inactive vested members, and 2 non-union and 2 police officer and command retirants, or beneficiaries at December 31, 2004.

(b) Contributions:

The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due.

(c) Funding method and assumptions:

The plan provides that the employer/employees contribute amounts necessary to fund the actuarially determined benefits. Non-union employees are required to deposit 0% and police officers are required to deposit 2.0% of all monetary compensation. The Township makes employer contributions in accordance with funding requirements determined by MERS' actuary. The Township's current rate was 16.59% non-union and 10.68% police officers of annual covered payroll.

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

Annual required pension cost	\$139,423
Contributions made	139,423
Actuarial valuation date	December 31, 2004
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent
Remaining amortization period (weighted)	34 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	8.0%
Projected salary increase	4.5%

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

V. Other information – (continued)

C. Construction code revenues/expenditures

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. The Township established a separate fund to account for the activity. Typically, the expenditures exceed the revenues and a transfer from the General Fund is made to cover the excess. The activity related to construction code activity for the year ended March 31, 2005 is as follows:

Construction permit revenue	\$ 61,106
Expenditures:	
Professional services	<u>70,701</u>
Expenditures over revenues	<u>\$ 9,595</u>

D. Joint venture agreement

The Township has entered into a joint agreement with the City of Flushing, to share in the acquisition costs and operating costs of a senior citizens center for township and city residents. The facility renovation and operation is overseen by a joint building operating committee made up of two appointees from each municipality, and are selected by the city and township members. The joint building committee prepares an annual operating budget which is approved by each municipality. All operating regulations, policies, and rules for the center are determined by the committee and approved by the city and township. Operating expenses will be divided between the city and township based on resident usage records. The City of Flushing acts as the fiduciary agent for the Senior Center.

The following is a summary of selected financial information of the Senior Citizens Center:

	Year Ended <u>June 30, 2005</u>
Total assets	\$256,000
Total liabilities	-
Total joint venture equity	256,000
Total revenues	-
Total expenditures	9,388

The Charter Township of Flushing's interest in the Center's net assets as of March 31, 2005, was \$102,400 or 40%.

Charter Township of Flushing
Notes to Financial Statements
March 31, 2005

V. Other information – (continued)

E. Summary disclosures of significant contingencies

Federally assisted programs:

The Township participates in the federally assisted Community Development Block Grant Program and COPS Program. These grant programs are subject to monitoring by the granting agency. The granting agency has yet to make final approval of the expenditures charged to the grants. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

F. Risk management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance coverage for all claims except employee dental benefits. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Township pays dental and vision claims on a reimbursement basis and has set aside employee and employer contributions to pay these claims in the General fund. Liability for unpaid claims was immaterial at March 31, 2005.

G. Commitments

The Township, during the fiscal year, entered into a five year contract with another governmental unit to provide fire protection to the Township. The contract requires quarterly payments of \$28,000 to be made through June 30, 2009.

Required Supplementary Information

**Charter Township of Flushing
Required Supplementary Information
Analysis of Funding Progress**

**Defined Benefit Pension Plan
Schedule of Funding Progress**

Plan Year End	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/c)
12/31/02	12/31/01	\$524,467	\$ 697,290	\$172,823	75.2%	\$348,812	49%
12/31/03	12/31/02	596,775	819,377	222,602	72.8	375,963	59
12/31/04	12/31/03	719,144	1,035,184	316,040	69.5	502,343	63

**Defined Benefit Pension Plan
Determination of Annual Required Contribution and Net Pension Obligation
For Plan Year Ended December 31, 2004**

Annual required contribution (ARC)	\$ 139,423
Contributions made	<u>(139,423)</u>
Increase in Net Pension Obligation (NPO)	-
Net Pension Obligation - beginning of year	<u>-</u>
Net Pension Obligation - end of year	<u>\$ -0-</u>

**Charter Township of Flushing
Required Supplementary Information
Analysis of Funding Progress (continued)**

**Defined Benefit Pension Plan
Schedule of Employer Contribution
Three Year Trend Information**

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Required Contribution (ARC)</u>	<u>% of ARC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
12/31/02	12/31/00	\$ 32,930	100.00%	\$ -
12/31/03	12/31/02	34,680	100.00	-
12/31/04	12/31/03	139,423	100.00	-

**Defined Benefit Pension Plan
Development of Net Pension Obligation at Transition**

Date of Transition: December 31, 1996

In each plan year beginning after December 15, 1986, the Township contributed 100% of the actuarially determined required contributions for the plan. Therefore, the Net Pension Obligation (NPO) for the plan at the transition date is zero. The Net Pension Obligation (NPO) was determined in accordance with GASB 27 *"Accounting for Pensions by State and Local Governmental Employers"*.

Charter Township of Flushing
General Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget to Actual
For the Year Ended March 31, 2005

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Taxes	\$ 120,000	\$ 120,000	\$ 124,975	\$ 4,975
Intergovernmental - state	801,200	801,200	760,141	(41,059)
Charges for services	60,000	93,000	116,827	23,827
Interest	27,700	27,700	11,724	(15,976)
Other revenue	49,350	49,350	29,724	(19,626)
Total revenues	1,058,250	1,091,250	1,043,391	(47,859)
Expenditures				
Current:				
General government:				
Township board	123,050	187,550	152,192	35,358
Supervisor	60,550	65,065	63,700	1,365
Assessor	65,350	74,600	73,770	830
Elections	-	3,600	15,534	(11,934)
Clerk	195,850	189,035	155,380	33,655
Accounting	54,500	63,910	62,924	986
Treasurer	69,100	116,800	113,072	3,728
Township hall and grounds	35,700	57,250	50,526	6,724
Public safety:				
Fire	108,000	108,000	107,750	250
Building department	16,200	19,050	18,395	655
Public service	247,100	284,000	315,663	(31,663)
Capital outlay:				
General government:	2,442	2,650	330	2,320
Public service	30,000	30,000	-	30,000
Total expenditures	1,007,842	1,201,510	1,129,236	72,274
Excess (deficiency) of revenues over expenditures	50,408	(110,260)	(85,845)	24,415
Other financing sources (uses):				
Transfers in	25,000	25,000	25,000	-
Transfers out	(70,000)	(70,000)	(6,400)	63,600
Total other financing sources (uses)	(45,000)	(45,000)	18,600	63,600
Net change in fund balances	5,408	(155,260)	(67,245)	88,015
Fund balance - beginning of year	407,469	407,469	407,469	-
Fund balance - end of year	\$ 412,877	\$ 252,209	\$ 340,224	\$ 88,015

**Charter Township of Flushing
Law Enforcement Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget to Actual
For the Year Ended March 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 711,000	\$ 868,000	\$ 867,334	\$ (666)
Intergovernmental:				
Federal	-	-	13,365	13,365
State	2,650	2,650	3,177	527
Local	42,500	42,500	50,099	7,599
Fines and forfeits	26,000	26,000	50,325	24,325
Interest	11,520	11,520	1,690	(9,830)
Other revenue	3,825	3,825	5,840	2,015
Total revenues	797,495	954,495	991,830	37,335
Expenditures				
Current:				
General government:				
Township board	675	700	700	-
Public safety:				
Law enforcement	1,074,950	1,080,050	979,531	100,519
Capital outlay:				
Public safety	55,500	55,500	45,354	10,146
Total expenditures	1,131,125	1,136,250	1,025,585	110,665
Excess (deficiency) of revenues over expenditures	(333,630)	(181,755)	(33,755)	148,000
Other financing uses:				
Transfers out	(25,000)	(25,000)	(25,000)	-
Total other financing uses	(25,000)	(25,000)	(25,000)	-
Net change in fund balances	(358,630)	(206,755)	(58,755)	148,000
Fund balance - beginning of year	362,233	362,233	362,233	-
Fund balance - end of year	\$ 3,603	\$ 155,478	\$ 303,478	\$ 148,000

**Charter Township of Flushing
Solid Waste Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes
in Fund Balances - Budget to Actual
For the Year Ended March 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 420,000	\$ 450,000	\$ 460,480	\$ 10,480
Interest	10,000	10,000	4,146	(5,854)
Total revenues	430,000	460,000	464,626	4,626
Expenditures				
Current:				
General government:				
Township board	500	500	450	50
Sanitation	420,000	453,000	448,635	4,365
Total expenditures	420,500	453,500	449,085	4,415
Net change in fund balances	9,500	6,500	15,541	9,041
Fund balance - beginning of year	475,154	475,154	475,154	-
Fund balance - end of year	\$ 484,654	\$ 481,654	\$ 490,695	\$ 9,041

Charter Township of Flushing
Notes to Required Supplementary Information
March 31, 2005

Summary of Significant Accounting Policies - Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

The budgets for the Major Governmental Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Combining Fund Statements and Fund Descriptions

**Charter Township of Flushing
Non-Major Governmental Funds
Summary Descriptions
March 31, 2005**

Special Revenue Funds

DARE

To account for the activity of the Drug Abuse Resistance Education Program. The Township Police Department has set up the program to provide drug education to local school students.

Parks and Recreation

To account for the activity related to the operation of the Township's nature park.

Drug Law Enforcement

This fund is used to account for revenues from the sales of drug confiscated items. Expenditures are restricted to drug enforcement and prevention.

Building Department

To account for revenues and expenditures related to the Building Department activities.

Community Development

This fund is used to account for federal grant funds that are used for projects suggested by the citizenry.

**Charter Township of Flushing
Fiduciary Funds
Summary Descriptions
March 31, 2005**

Agency Funds

Tax Collection Fund

This fund is used to account for current and delinquent property taxes that are collected for other units of government.

Charter Township of Flushing
Nonmajor Special Revenue Funds
Combining Balance Sheet
March 31, 2005

Assets	D.A.R.E	Parks and Recreation	Drug Law Enforcement
Cash and cash equivalents	\$ 926	\$ 89,487	\$ 1,856
Accounts receivable	-	16,573	-
Due from other governments	-	-	-
Prepaid items	-	394	-
Total assets	\$ 926	\$ 106,454	\$ 1,856
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ -	\$ 785	\$ -
Accrued liabilities	-	842	-
Due to other funds	-	91	-
Total liabilities	-	1,718	-
Fund balances:			
Reserved for prepaid items	-	394	-
Unreserved, undesignated	926	104,342	1,856
Total fund balances	926	104,736	1,856
Total liabilities and fund balances	\$ 926	\$ 106,454	\$ 1,856

Building Department	Community Development	Totals
\$ 2,483	\$ -	\$ 94,752
-	-	16,573
-	8,486	8,486
55	-	449
<hr/>		
\$ 2,538	\$ 8,486	\$ 120,260
<hr/>		

\$ 869	\$ -	\$ 1,654
929	-	1,771
-	8,486	8,577
<hr/>		
1,798	8,486	12,002
<hr/>		
55	-	449
685	-	107,809
<hr/>		
740	-	108,258
<hr/>		
\$ 2,538	\$ 8,486	\$ 120,260
<hr/>		

Charter Township of Flushing
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended March 31, 2005

	D.A.R.E	Parks and Recreation	Drug Law Enforcement
Revenues:			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental:			
Federal	-	-	-
Interest	-	1,140	21
Other revenue	101	103,737	316
Total revenues	101	104,877	337
Expenditures:			
Current:			
Public safety:			
Law enforcement	-	-	111
Building department	-	-	-
Public service:			
Community service	-	-	-
Recreation and cultural	-	94,224	-
Total expenditures	-	94,224	111
Excess (deficiency) of revenues over expenditures	101	10,653	226
Other financing sources:			
Transfers in	-	-	-
Total other financing sources	-	-	-
Net change in fund balances	101	10,653	226
Fund balances - beginning of year	825	94,083	1,630
Fund balances - end of year	\$ 926	\$ 104,736	\$ 1,856

Building Department	Community Development	Totals
\$ 64,376	\$ -	\$ 64,376
-	8,486	8,486
60	-	1,221
131	-	104,285
64,567	8,486	178,368
-	-	111
70,702	-	70,702
-	8,486	8,486
-	-	94,224
70,702	8,486	173,523
(6,135)	-	4,845
6,400	-	6,400
6,400	-	6,400
265	-	11,245
475	-	97,013
\$ 740	\$ - 0 -	\$ 108,258

**Charter Township of Flushing
Nonmajor Special Revenue Funds
Schedules of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
For the Year Ended March 31, 2005**

D.A.R.E.								
Budgeted Amounts				Variance				
Original		Amended		Actual		With Final Budget		
Revenues:								
Licenses and permits	\$	-	\$	-	\$	-	\$	-
Intergovernmental:								
State		-		-		-		-
Interest		-		-		-		-
Other revenue		510		510		101		409
<hr/>								
Total revenues		510		510		101		409
<hr/>								
Expenditures:								
Current:								
Public safety:								
Law enforcement		-		-		-		-
Building department		-		-		-		-
Recreation and cultural		-		-		-		-
Capital outlay		-		-		-		-
<hr/>								
Total expenditures		-		-		-		-
<hr/>								
Excess (deficiency) of revenues over expenditures		510		510		101		409
<hr/>								
Other financing sources:								
Transfers in		-		-		-		-
<hr/>								
Total other sources		-		-		-		-
<hr/>								
Net change in fund balances		510		510		101		409
Fund balance - beginning of year		825		825		825		-
<hr/>								
Fund balance - end of year	\$	1,335	\$	1,335	\$	926	\$	409

Parks and Recreation

Budgeted Amounts		Actual	Variance With Final Budget
Original	Amended		
\$ -	\$ -	\$ -	\$ -
5,000	5,000	-	(5,000)
1,000	1,000	1,140	140
105,700	105,700	103,737	(1,963)
111,700	111,700	104,877	(6,823)
-	-	-	-
-	-	-	-
75,820	100,430	94,224	6,206
-	-	-	-
75,820	100,430	94,224	6,206
35,880	11,270	10,653	(617)
10,000	10,000	-	(10,000)
10,000	10,000	-	(10,000)
45,880	21,270	10,653	(10,617)
94,083	94,083	94,083	-
\$139,963	\$ 115,353	\$ 104,736	\$ (10,617)

Drug Law Enforcement

Budgeted Amounts		Actual	Variance With Final Budget
Original	Amended		
\$ -	\$ -	\$ -	\$ -
10	10	21	11
25	25	316	291
35	35	337	302
5	150	111	39
-	-	-	-
-	-	-	-
-	-	-	-
5	150	111	39
30	(115)	226	341
-	-	-	-
-	-	-	-
30	(115)	226	341
1,630	1,630	1,630	-
\$ 1,660	\$ 1,515	\$ 1,856	\$ 341

(continued)

Charter Township of Flushing
Nonmajor Special Revenue Funds
Schedules of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual (continued)
For the Year Ended March 31, 2005

	Building Department			
	Budgeted Amounts			Variance
	Original	Amended	Actual	With Final Budget
Revenues:				
Licenses and permits	\$ 58,500	\$ 58,500	\$ 64,376	\$ 5,876
Intergovernmental:				
State	-	-	60	60
Interest	-	-	131	(719)
Other revenue	850	850		
Total revenues	59,350	59,350	64,567	5,217
Expenditures:				
Current:				
Public safety:				
Law enforcement	-	-	-	-
Building department	66,150	71,250	70,702	548
Recreation and cultural	-	-	-	-
Capital outlay	100	850	-	850
Total expenditures	66,250	72,100	70,702	1,398
Excess (deficiency) of revenues over expenditures	(6,900)	(12,750)	(6,135)	6,615
Other financing sources:				
Transfers in	10,000	13,000	6,400	(6,600)
Total other sources	10,000	13,000	6,400	(6,600)
Net change in fund balances	3,100	250	265	15
Fund balance - beginning of year	475	475	475	-
Fund balance - end of year	\$ 3,575	\$ 725	\$ 740	\$ 15

**Charter Township of Flushing
Tax Collection Agency Fund
Statement of Changes in Assets and Liabilities
For the Year Ended March 31, 2005**

	Balance April 1, 2004	Additions	Deductions	Balance March 31, 2005
<u>Tax Collection</u>				
Assets				
Cash and cash equivalents	\$ 3,039	\$ 7,702,960	\$ 7,683,022	\$ 22,977
Accounts receivable	700	1,243	1,768	175
Due from other governments	205	-	205	-
Total assets	<u>\$ 3,944</u>	<u>\$ 7,704,203</u>	<u>\$ 7,684,995</u>	<u>\$ 23,152</u>
Liabilities				
Due to other funds	\$ 3,062	\$ 1,675,749	\$ 1,659,949	\$ 18,862
Due to other governments	882	3,408	-	4,290
Total liabilities	<u>\$ 3,944</u>	<u>\$ 1,679,157</u>	<u>\$ 1,659,949</u>	<u>\$ 23,152</u>

August 11, 2005

To the Honorable Members of the Township
Board of the Charter Township of Flushing

We have audited the general purpose financial statements of Charter Township of Flushing for the year ended March 31, 2005, and have issued our report thereon dated June 9, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated January 20, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Flushing's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Charter Township of Flushing are described in

Note 1 to the basic financial statements. During 2005, the GASB Statement No. 34 reporting model was adopted. We noted no transactions entered into by Charter Township of Flushing during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the general purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are sensitive because of their significance to the general purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the lives of capital assets used in the Government-Wide financial statements. We evaluated the lives used and feel that they are reasonable in relation to the Government-Wide financial statements taken as a whole.
- Management's estimates of the pension actuarial accrued liability and the actuarial value of assets for the MERS Pension Trust. These estimates are prepared by independent actuaries of the pension trust. We evaluated the specific assumptions used and feel that they are reasonable in relation to the overall financial statement presentation.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Charter Township of Flushing's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To The Honorable Members of the Township
Board of the Charter Township of Flushing
August 11, 2005
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Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of Flushing's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

The Following Items Contain Other Information that the Township Board Should Consider

Prior Year Comments

System Back Up Tapes

According to discussions with the client, back up tapes are performed but have not been tested to verify that data exists on the tape. We suggest that Charter Township of Flushing test the data on the back up tape on a regular basis. The Township is looking into testing the back up tapes.

We want to thank the Township staff for their cooperation and courtesy afforded us during the audit. We want also to thank the Township Board for the opportunity to serve as the Township's independent auditors.

This report is intended solely for the information of the Charter Township of Flushing and the State of Michigan, and is not intended to be and should not be used by anyone other than those specified parties.



Certified Public Accountants
Flint Office